A Path to Success for Commercial Insurance and Fleet

azuga™
a Bridgestone Company

The Fleet Safety Challenge

Why has commercial insurance telematics adoption taken so long when the need to reduce claims continues to grow?

At the heart of this question are several major concerns held by insurance carriers, agents and brokers alike. The first pertains to how long a carrier can afford telematics if they are not certain it will produce fleet safety results. The second question relates to both the promotion of telematics at the agent and broker channels and the best business model to support this discussion.

These concerns can lead to carrier decisions that create a negative self-fulfilling prophecy by selecting solutions that do not fit the need but seem less cost risky. Additionally, these concerns may cause carriers to sit on the sidelines while their competitors are advancing fleet telematics to achieve reduced claims and competitive advantages. These two concerns are interrelated and will be explored in this document.

Let's begin with a foundation for understanding fleets that will lead towards solving carrier's concerns. There are four major stakeholders impacted by fleet telematics and safety as shown in **Figure1** below. The four stakeholder roles can inherently conflict with each other, even when several of these roles are shared by the same person. The fleet manager focuses on the health of the fleet and keeping vehicles on the road. The operations (Opps) manager cares about running the business, ensuring customers are cared for and maximizing both driver and vehicle usage for the greatest revenue.

The safety manager is concerned with insurance, liability and safety. The safety manager wants to drive down the cost of insurance, reduce the liability exposure of the company and reduce worker compensation claims. Lastly is the driver, who is most often evaluated for their performance related to core business tasks and making customers happy but not always on driving behavior.

Figure 1

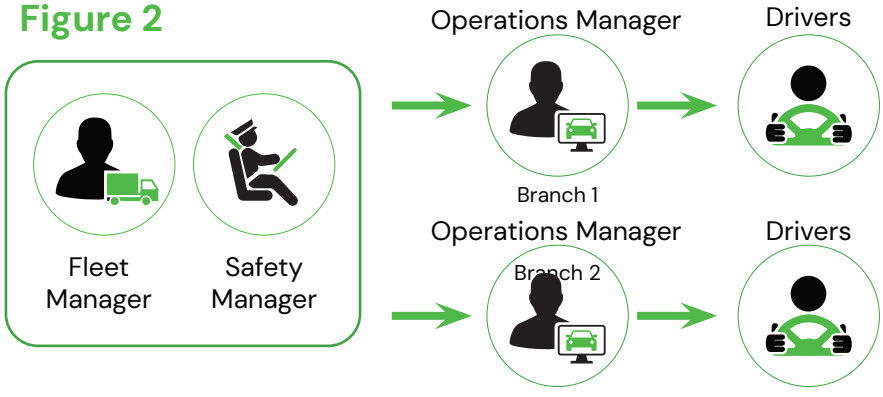
Fleet telematics was traditionally built and marketed almost exclusively for the operations management purpose. Since the goals and daily objectives of each stakeholder are not always aligned and may inherently be in conflict, the traditional fleet management products cannot address safety adequately. If the operations manager must run reports or perform unrelated tasks to address safety, his or her compensation and performance related to running the core business may be impacted.

Further compounding the challenge is the driver who is often at odds with management and under pressure to get the job done. The driver will typically adhere to whatever direction or guidelines that seem important to management either directly specified or implied. Thus, if safety is not a priority for the operations manager, neither will it be for the driver. Additionally, if there is conflict between objectives, the driver will choose the path leading to the most personal gain and least amount of pain.

For example, fleets will often employ some type of fleet telematics tool to save gas, reduce gas fraud, improve routing, manage time and satisfy other operational needs. Some telematics products have add-on safety features but are not always used because they are not well integrated and the fleet operator is not motivated or too busy to deal with any hassle. This compounds driver safety because if a driver's speeding or aggressive driving goes unnoticed, this will reinforce the same behavior in the future.

The safety challenge becomes more complicated when the fleet is larger and the operations manager is often a branch manager, as shown in **Figure 2.** In this scenario the fleet and safety managers may be in a corporate office and removed from regular branch activities. The safety manager may be just one of several influencers that the operations manager is dealing with. Additionally, operations managers may have no direct reporting into the safety manager. Regardless of the size of the fleet, there is still no real benefit for the driver. If the fleet tool does not address the needs of all stakeholders and engage safety throughout the users' experience, especially for drivers and operators, then fleet safety can be difficult to achieve.

Figure 2

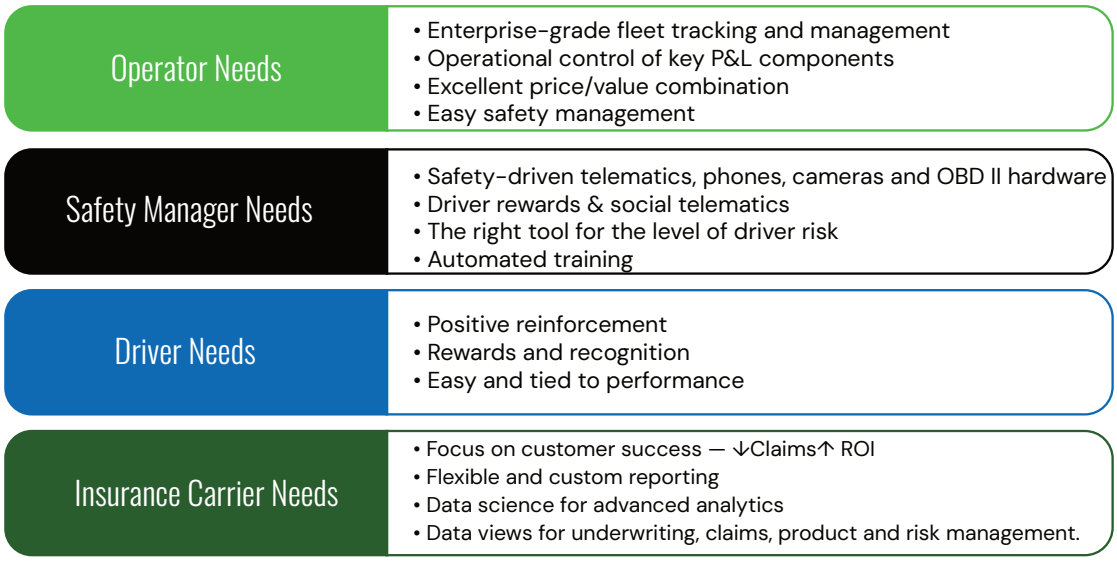


azuga
a Bridgestone Company

The most important key to usage and adoption of fleet safety telematics by all stakeholders is providing features and results that matter to everyone. Understanding how these features benefit all fleet stakeholders will help broker or agent conversations when discussing fleet telematics with their customers.

Figure 3 below outlines some of the motivators for the key three stakeholders and the insurance carriers who also have a vested interest in the stakeholder's success. This might not be an exhaustive list but includes the major drivers for success in adopting a fleet management and safety program.

Figure 3

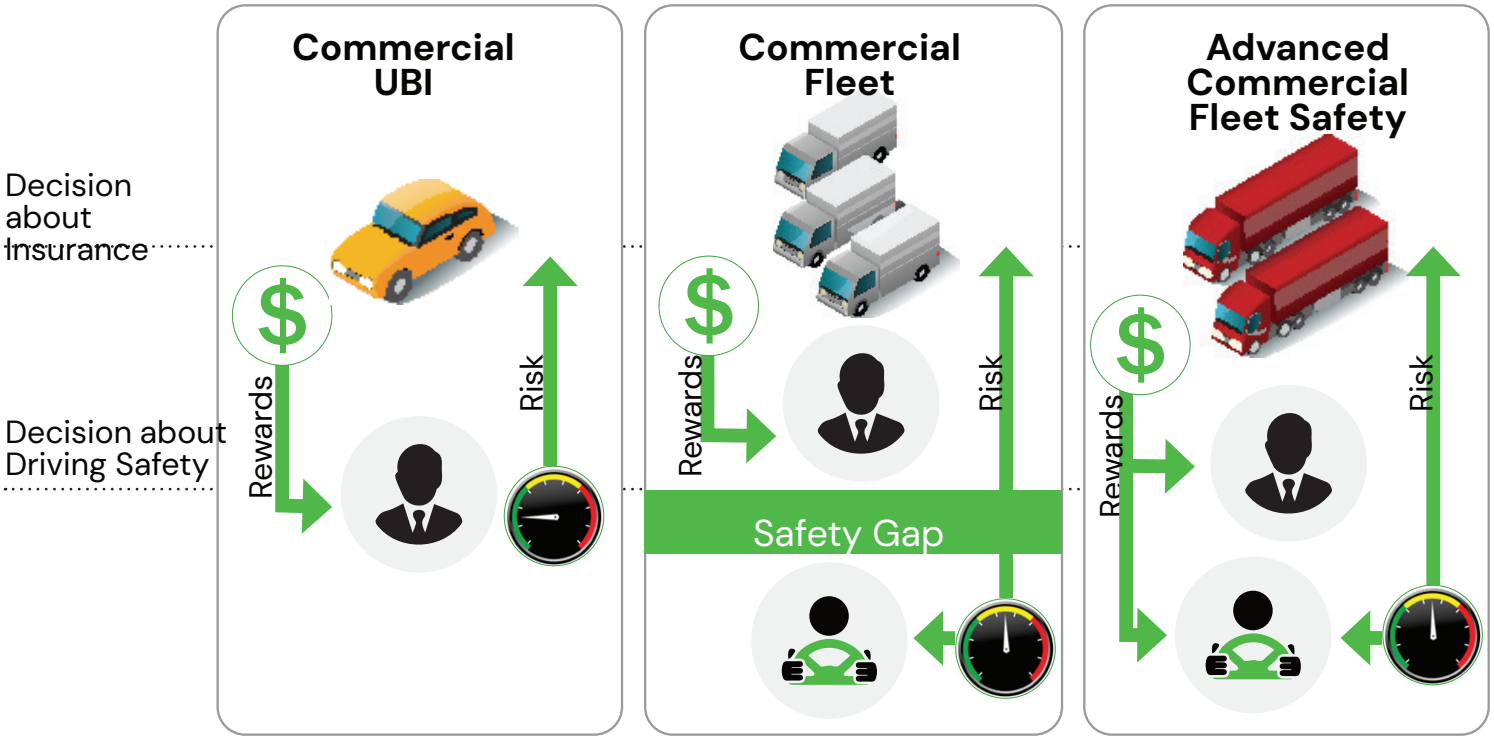


Fleet owners need to have an operational platform to manage the core elements of their business. The basic platform must be available at an affordable price and have upgradable features and hardware to address unique needs related to that business. The fleet operators also want simple, effective and expeditious tools that will improve driver safety.

The fleet safety manager needs flexible safety options that are well thought out and integrated into the core fleet product. Some solutions add safety features as an afterthought to an already mature platform. It is important to realize that one solution does not fit all driver safety concerns. A good driver may only need a smartphone application. A driver that has a few poor driving habits and possibly one recorded accident may require an OBD device with an embedded cellular chip. Lastly, a driver who poses a significant challenge due to several accidents, driving violations and poor driving habits may require a camera or a combination of hardware. At Azuga, we understand the need to balance cost with risk and have developed a highly modular fleet solution with safety fully integrated into the initial product design.

The Driver rewards component listed in **Figure 3** is of great importance and all stakeholders benefit from drivers being rewarded for good driving. When explaining the significance of rewards, it might be helpful to consider how carriers have engaged in personal lines UBI over the past 15 years. One key element of UBI adoption is the reward of savings. Many programs start with an initial reward and based on specific driving behaviors, they continue to reinforce that reward message throughout the program. As shown in **Figure 4** below, there is a direct reward to the personal lines driver in UBI. However, there is no direct reward to the driver in the traditional fleet model because they often use a punitive approach vs rewarding good behavior. In the traditional fleet model, rewards go to the fleet owner or responsible safety manager. This is what we call the "Safety Gap".

Figure 4



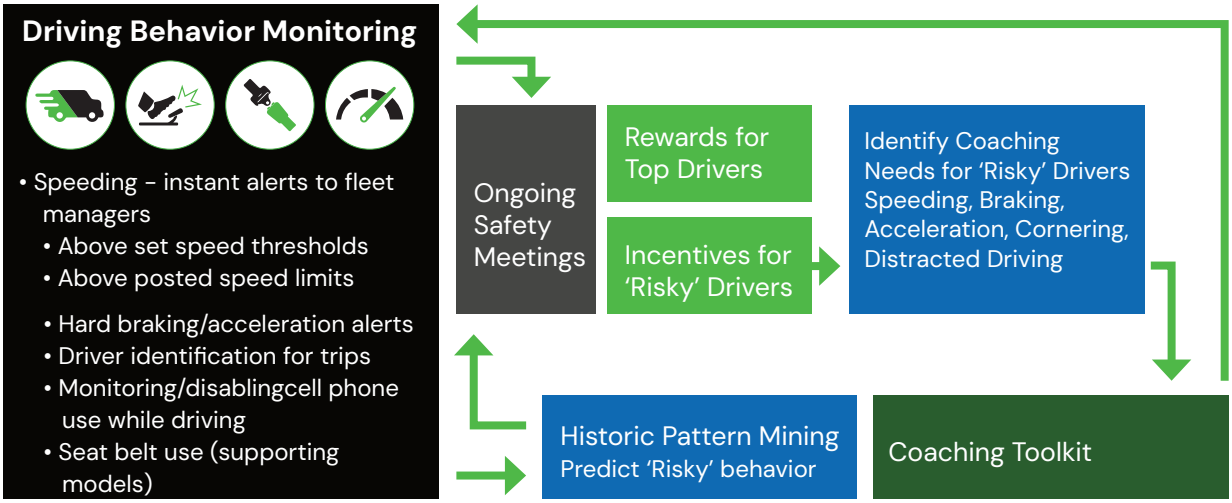
When the safety gap is removed and benefits are provided to both driver and fleet operator, the program directly impacts behavior at all levels. A good rewards model accounts for the principle that not all drivers are alike and have different reward preferences. The Azuga model for safety focuses on all the stakeholders and the driver now benefits from his or her actions removing the safety gap. This model allows the entire organization to easily adopt a culture of safety without the conflict previously experienced in traditional fleet and commercial auto telematics models.

How the Azuga Safety Framework Improves Driving

With an understanding of how rewards and features matter to all stakeholders, let's examine the mechanics of success. The first step outlined in **Figure 5** identifies measurable behavior through monitoring. Goals and objectives are set and discussed during ongoing safety meetings. Goals should be defined to achieve top performance and improve risky drivers' behavior. The nature of stack ranking can make it difficult for poor drivers to become good drivers, thus impacting key safety goals. The fleet and the insurance carrier do not want drivers to become discouraged. Rewards need to have some level of customization to address driver preferences and will be addressed further in **Figure 6.**

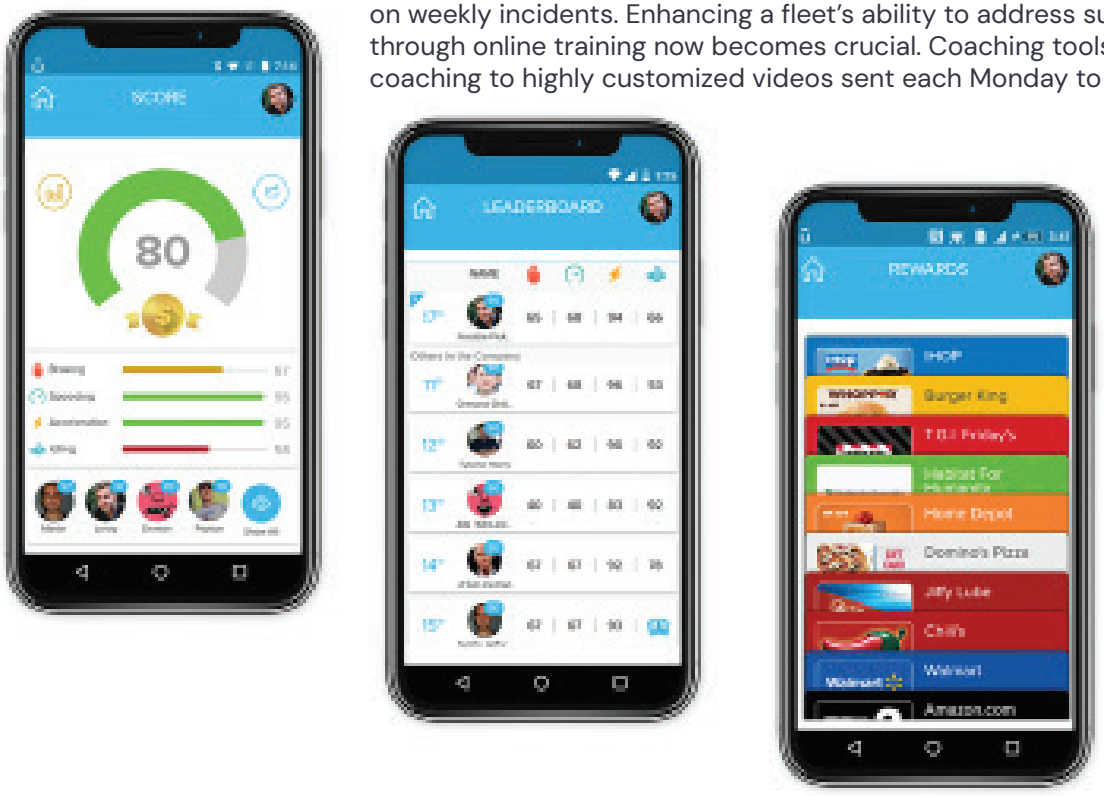
azuga a Bridgestone Company

Figure 5



Risky drivers need timely coaching, but this is a challenge for fleets mainly due to available time and skills required to provide prompt safety coaching. Most fleet operators are not trained in coaching, let alone experts in driving safety themselves. Smaller fleets do not have such a resource and will need to rely on outside help making it difficult to provide time-relevant coaching. If a fleet is large enough to have a skilled driving trainer, they may be remote to much of the fleet creating the same challenges of real-time training based on weekly incidents. Enhancing a fleet's ability to address subpar behavior through online training now becomes crucial. Coaching tools vary from basic coaching to highly customized videos sent each Monday to a driver with a

Figure 6



mechanism for tracking the completion of these videos.
Further customization comes in the form of a modular platform that works with cell phones, OBD dongles, cameras and other hardware to match the most useful tool with the level of engagement. Azuga's goal is to allow each fleet the flexibility needed to achieve success through customized reporting and automated coaching to minimize the time and effort required to achieve success.

azuga a Bridgestone Company

Let's revisit rewards and driver interactions as this is pivotal to success. Customization makes rewards powerful, so having ample reward choices available to a driver will achieve the best result. Equally important is leveraging our social nature into the process as a rewarding component in and of itself. **Figure 6** shows the Azuga driver companion app. While this app serves many purposes from driver identification and distracted driver mitigation, it acts as a driver engagement mechanism. Drivers can receive near real-time feedback. These drivers can observe where they are in relation to their peers and the attainment of rewards. The driver has access to training videos, both recommended or optional, to help achieve better scores, standings and rewards. All these features are combined into a focused, relevant and rewarding experience that establishes and motivates good driving behaviors.

Results

All activities and methodologies discussed thus far have resulted in achieving safety success. At Azuga we have many examples of success and recommend you contact an Azuga representative to learn more. **Figure 7** is one typical example of the success that can easily be achieved for fleets with minimal effort. Fire Safety Management is a 3 years study on the effects of rewards, behavior management and the application of telematics tools to achieve desired safety goals. We measured at-fault accidents, insured losses and fleet deductibles to demonstrate success for both fleet and the insurance carrier. All parties win from the driver up to the insurance carrier. The insurance carrier reduced incurred loss by 92%, from $914,000 for the year prior to using Azuga fleet management and safety tools to $73,000 at the end of the second year of the Azuga program. It is important to note that the carrier savings in **Figure 7** are inclusive of the Azuga program costs.

Figure 7

Fire Safety Management Results

April 2016 to April 2017
Before Azuga

37 at-fault accidents

Insured loss
$914,000

Fleet Deductibles
$185,000

*Insurance partner estimated annual Azuga fees for this fleet = **$40,000**

April 2017 to April 2018
Before Azuga

22 at-fault accidents

Insured loss
$336,000

Fleet Deductibles
$110,000

Insurer Annual Savings (Including Azuga Annual Fee") **$538,000**

Fleet Deductible Annual Savings **$75,000**

April 2018 to April 2019
Before Azuga

8 at-fault accidents

Insured loss
$73,000

Fleet Deductibles
$40,000

Insurer Annual Savings (Including Azuga Annual Fee") **$801,000**

Fleet Deductible Annual Savings **$145,000**

azuga a Bridgestone Company

Azuga has seen additional examples similar to the one outlined above. Harbro, a large emergency and restoration company, quoted "We averaged 18-20 accidents per year for the last 8 years prior to implementing Azuga. Since Azuga in 2017 that number has reduced to just 4 accidents." Philadelphia insurance published the following statistics shown in **Figure 8**. California UMI was able to reduce their accident rates by 89% and have yet to experience an at-fault accident from distracted driving. These are just a few of the success stories behind leveraging behavior management and rewards in a fleet management tool designed around safety and modularity. At Azuga, we make safety engaging for the driver, easy for the fleet operator and both flexible and comprehensive for the safety manager. The net value drives success for insurance carrier and fleet owner ROI.

Figure 8

About Bridgestone

Nashville, Tennessee based Bridgestone Americas Tire Operations is the U.S. subsidiary of Bridgestone Corporation, the world's largest tire and rubber company offering a wide range of Bridgestone, Firestone and associate brand tires, BATO maintains wholesale and original equipment sales operations across a broad line of products, including passenger, light truck, commercial truck and bus, agricultural, motorcycle, kart and off-the-road tires.

Additional US subsidiaries include Bridgestone Retail Operations which operates the largest network of company-owned automotive service providers in the world – nearly 2,200 tire and vehicle service centers across the United States – including Firestone Complete Auto Care, Tires Plus, Wheelworks and Hibdon store locations. Bridgestone authorized dealers consist of independent tire retailers that are authorized to sell and service Bridgestone or Firestone products. BATO's Commercial Solutions Group also has an extensive dealer network that also includes Truck, Bus, Radial Division. In summary the Bridgestone network consists of approximately 5,400 service locations for tire, automotive and fleet solutions.

Below is a complete list of links to our products for Commercial, Retreads and Consumer tires.

A Path to Success for **Commercial Insurance** and **Fleets**

Bridgestone Brand
Alenza, Blizzak, DriveGuard, Dueler, Ecopia, Potenza, Turanza
Bridgestone Consumer product
website: https://www.bridgestonetire.com/
Bridgestone Commercial product
website: https://commercial.bridgestone.com/en-us/index

Firestone Brand
All season, Champion, Destination, Firehawk, Transforce, WeatherGrip, Winterforce
Firestone Consumer product
website: https://www.firestonetire.com/
Firestone Commercial product
website: https://commercial.firestone.com/en-us/index

Bandag Retread
website: https://www.bandag.com/en-us/index

About Azuga

Azuga, a Bridgestone company, is a leading global connected vehicle platform, helping our customers turn data about vehicles and their use into intelligence that improves operations and safety while reducing costs and risk. Azuga provides reliable end-to-end solutions for commercial fleets, government agencies, insurance companies and automotive industry suppliers, encompassing hardware, the Azuga One platform, award-winning fleet applications and data analytics. Azuga is headquartered in Fremont, California.

Our award-winning Azuga Fleet solution is used by thousands of customers —from the small fleet of one or a few vehicles up to several thousand—and is lauded by our customers for its ease-of-use, robust features and affordable pricing.

For more about all our product and features
contact an Azuga representative or visit www.azuga.com

Fleet Care | azuga a Bridgestone Company